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JUDGES' RETIREMENT SYSTEM MEMBER HANDBOOK

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Contact us at:
1712 NINTH AVENUE
P.O. BOX 200131
HELENA, MT 59620-0131
Phone: 406-444-3154
Toll Free: 877-275-7372
E-mail: perb@state.mt.us

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Preface

This *Judges' Retirement System Member Handbook* is a summary of the benefits provided by the Montana Judges' Retirement System (JRS). It is intended to give you a general idea of your benefits and to acquaint you with the JRS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date soon after it is published. This handbook is not a final source of the law and rules. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Information in this handbook is based on 1999 law. Benefits are based on the law in effect at the time of your termination from employment; thus, some information found here may not apply in specific cases. If this handbook differs with law or rules as the Board interprets them, the law or rules will apply. This handbook replaces all previous JRS member handbooks.

Montana Code

The law governing the JRS may be found in Title 19, Chapters 2 and 5, Montana Code Annotated (MCA). MCA is available on line at: leg.state.mt.us/services/legal/laws.htm

References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis throughout this publication.

Introduction

Retirement Security for our Members Since 1967

The Judges' Retirement System (JRS) is a public pension plan for all Montana judges of the district courts, justices of the Supreme Court, and the Chief Water judge. In 1967, the Legislature created the JRS to grant a retirement, disability, or death benefit to plan members and their beneficiaries. On June 30, 1999, membership of the JRS consisted of the following :

JRS Membership

Number of participating employers	1
Active members	44
Inactive members:	
Vested	1
Non-vested	0
Retirees and beneficiaries receiving benefits:	
Service Retirements	46
Disability Retirements	0
Survivor Benefits	2

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor to administer the JRS and seven other retirement systems. The Montana Public Employee Retirement Administration (Montana PERA) does the day-to-day work. This handbook uses the terms "we," "us," the PERA and Board interchangeably.

Money that you pay into the JRS earns an investment return and helps pay for your benefit. At the PERA, we keep track of your money in your own account, and credit your account with interest. We combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund goes back into the fund. Only the Board may authorize payment from the

trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (Montana Constitution, Art. VIII, §15; §19-2-408 and 19-2-505, MCA)

Every two years, an actuary must rate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may propose increases in benefits. Benefits are set by law, and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§19-2-405, MCA)

JRS is a defined benefit retirement system. The monthly benefit you receive on retirement is based on your years of service and your current salary or final average salary rather than the amount of money you contribute and the interest which accrues to your account

Section I: Membership

1. Membership Enrollment

Membership is mandatory for all Montana judges of district courts, justices of the Supreme Court, and the Chief Water judge. However, judges and justices who were members of the Public Employees' Retirement System (PERS) prior to October 1, 1985 could remain in the PERS or join JRS. (§ 19-5-301, MCA)

Membership Cards

New employees must complete a membership card upon starting work in a job covered by the JRS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk who will send it to us. When we receive your completed membership card it is placed in your file. The information on it is necessary for us to administer your retirement. Membership may not be discontinued until employment as a judge or justice is terminated. (ARM 2.43.402)

The PERA will not pay a benefit or refund unless you have a membership card on file with us. A membership card is a vital record; you must keep it up-to-date. Update the card whenever any of the information on the card changes. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card.

Working Retiree Membership

A judge or justice with 8 years of service who voluntarily retired, can be called for duty by the supreme court or the chief justice. Current law imposes limits on working retirees, and if they exceed the limits, benefits may be reduced. See page 17 for more details about working retirees. (§ 19-5-103, MCA)

Note:
A judge called back to duty (pro tempore) is not eligible for active membership in the JRS. (§ 19-5-301, MCA)

2. Contributions

Contributions to the JRS come from you and your employer. The following is an explanation of contributions to the JRS and what is expected of you and your employer.

Member Contributions

The current member contribution rate is 7%. Your employer will withhold this money from your monthly compensation and send it to us. We will credit your contribution to your individual account. (§ 19-5-402, MCA)

Interest: Your JRS account earns interest and we add it to your account each month.

The interest credited to your account will not affect the amount of your monthly retirement benefit. The monthly benefit is set by a statutory formula (see page 19). If you end your JRS-covered employment and leave your money on account, it will continue to collect interest. If you take a lump sum refund instead of a monthly benefit, you will receive the interest on your contributions also.

Tax-Deferred: Since July 1985, the money you contribute to the JRS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the JRS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to the JRS. If you have taxed money in your account then some of your benefit will be tax exempt.

Purchase of Service: If you purchase service, you may contribute additional amounts. These additional payments are tax-deferred if you authorize payment by payroll deduction contract. If these contributions are not made through payroll deduction, they are not

tax-deferred. You will receive interest on service purchase payments at the same rate you receive interest on regular contributions. All interest paid to a member's account is tax-deferred. (§19-2-704, MCA)

Employer Contributions

The state of Montana contributes an amount equal to 25.81% of the compensation of each JRS member to the trust fund. These contributions are not refundable and provide "pooled" funds for retirement, disability, and death benefits. (§ 19-5-404, MCA)

Refund of Contributions

Vested members who end JRS-covered employment may leave their money on account; it will continue to earn interest. They may also receive a refund of the money in their account. To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member, and one for the employer. You must complete the member section, then give it to your employer. Your employer will complete the application and send it to us. If you have been inactive for more than 3 months, you should contact us directly to apply for a refund. (§19-2-602 , MCA)

When you receive a refund, you are no longer a member of the JRS. You will have no right to any form of JRS benefit.

Processing Refund: We cannot process your refund before your employer sends us the application and the final payroll information. This process may take 6 to 8 weeks from the date you get your last paycheck. Extending your last day of work into a new pay period or month may increase the processing time.

If, after receiving a refund, you accept a JRS-covered job, you will again become a member. We will consider you a new member without credit for the refunded service. You may purchase the refunded service to reinstate it for credit. For more details see Purchase of Service, on page 14. (§19-2-603, MCA)

If you are not a vested member (less than 5 years of membership service) at the time you terminate service and have less than $5,000 in accumulated contributions, you must request a lump sum refund. You may also make a written application to have your eligible contributions rolled over to a qualified retirement plan as allowed under the Internal Revenue Code. (§ 19-2-602 and 19-5-403, MCA)

NOTE:
If you receive your refund directly, we will withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information, see Taxes on Refunds, on page 34.

3. Service

The amount of time you work and contribute to the JRS affects the amount of your retirement benefit. The number of years you work in a JRS-covered job and your purchase of additional service will determine the benefit you receive.

Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other benefits. You vest after you accrue five years of membership service. Once vested, you are entitled to benefits if otherwise eligible. If not vested, you may only receive a refund of your account. You earn membership service for all periods of service during which you make contributions to the system. (§19-2-303, 19-2-702, MCA)

Service Credit

Your service credit affects the amount of your retirement benefit. You earn one month service credit for each month of full-time service. We use service credit to calculate the amount of your retirement benefit. (§19-2-701, MCA)

NOTE: A retired member may not earn service credit or membership credit.

Personal Statement

Each August the PERA will send you a statement with information concerning your retirement account. Carefully review the statement to verify that all the information is correct. If you have corrections or changes to any of the personal information or questions concerning account information as it appears in your statement, please submit them directly to the PERA in writing.

NOTE: We will correct mistakes in your account or service when we identify them, or at least before your benefit is final. Mistakes will not bind the PERA to pay a benefit for which you are not eligible. If you think the service credit on your statement is wrong, please inform us in writing, providing specific information including your current address.

Purchase of Service

Eligible members may purchase additional service. Contact us for complete details about your eligibility. **A written request to initiate the cost statement is required.**

To request a cost statement to purchase service, you must write to us and provide the following information: your full name (including any former names), a current address, Social Security Number, and the type of service you wish to buy. You should also send us any documents that relate to the service. We will review the request and send you a cost statement for buying any service for which you are eligible. (ARM 2.43.428)

You must pay the lump-sum cost or start monthly payments within 30 days. After 30 days, the cost statement is not valid and you must contact us for an updated cost statement. Only the PERA can give you a cost statement. A cost statement from any other source may not be used.

Payment for Purchase: You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by tax-deferred payroll deduction. Inactive vested members, members not paid monthly, or members who wish to self-pay may send payments directly to the PERA. (These payments are not tax-deferred.) If you fail to make a regular monthly payment, you give up the right to make any more payments.

Your service purchase will be prorated. We will track your monthly payments in an additional contribution account until the service purchase is complete. Then we will transfer the money to your regular account and credit your account with the service.

Vested members may purchase most types of service at any time before retirement. Be aware that any delay may increase the cost because of added interest or higher salaries. Members must complete all service purchases before they retire.

Service Which May Be Qualified:

Refund: If you received a refund for previous service with the JRS, you may buy this refunded service. Refunded service means you terminated your job, and requested a refund of the accumulated contributions in your account. To purchase the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the refund would have earned if you had left it on deposit. (§ 19-2-603, MCA; ARM 2.43.420 and 2.43.422)

Additional Service ("1-for-5") Purchase: For each 5-year period of membership service, you may buy 1 year of additional service credit. You may buy no more than 5 years of additional service. Additional service is not membership service and can not make you eligible to retire. We will include all service credit when calculating the amount of your retirement benefit. [§ 19-5-409(4)]

Section II: Benefits

To receive retirement benefits under the JRS defined benefit plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you. Benefit options which you may choose at retirement also provide for a continued survivor benefit. This section explains how to qualify for retirement, the payment options available, how to calculate your benefits, and sample calculations for benefit options.

1. Qualifying for Benefits

Vesting

When you complete five years of **membership service** (explained on page 12), you become a vested member. Once vested, the PERA guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

You are an active member if you are in a JRS-covered job and making the required contributions to the system. If vested and at least age 65, you may terminate and apply for monthly retirement benefits.

You could also take a refund of your account, rather than a retirement benefit. When you withdraw your account, you give up all vesting rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement benefit. (§ 19-5-403, MCA, and ARM 2.43.603)

Remember . . .
Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from the JRS.

Inactive Vested Members

A member does not need to be an active member to be vested. If you are vested, you become an inactive vested member when you end JRS-covered employment, do not withdraw your JRS account, and have not received a benefit. Inactive vested members may buy any service for which they are eligible. Inactive vested members may apply for retirement after they meet the minimum age and/or service requirement. You give up your vested right to retirement benefits by terminating your JRS-covered emloyment and taking a refund of your account. (§ 19-5-301, MCA)

Non-Vested Members

If you terminate your JRS-covered employment before you vest, you may not continue to buy service. You will not be eligible for a retirement benefit later. However, you are eligible for a refund of the money in your account. You will receive interest in the JRS until you receive the refund. See page 10 for information on refunds. (§ 19-5-103, MCA)

Call of a Retired Judge

A retired member with 8 years or more of service, who has voluntarily retired, may be called to duty. The compensation will be equal to the daily salary of the position being filled for a total of 180 days in a calendar year. For each day of duty after 180 in a calendar year, the member will receive 1/20 of the monthly salary for the position being filled minus an amount equal to 1/20 of the monthly retirement benefit being received. A retired member called back to duty is not eligible for active membership in the retirement system.
(§ 19-5-103, MCA and ARM 2.43.404)

General

You will receive your retirement benefit for life. We will not reduce your benefit by amounts that you receive from other retirement programs, such as Social Security. Upon your death, if you select Option 2 or 3, your contingent annuitant will receive a benefit for life. Section III explains payment options.

2. Service Retirement

JRS members are eligible to receive benefits upon meeting certain requirements. The JRS defined benefit plan provides benefits for members as outlined on the following pages.

Service Retirement Benefit

You are eligible for a service retirement benefit when you complete 5 years of membership service and are 65 years of age. As stated earlier, the JRS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate benefits. The JRS retirement benefit is calculated in one of two ways, depending on whether you are covered under the Guaranteed Annual Benefit Adjustment (GABA) which is explained on page 32. Your benefit will be calculated as follows: (§19-5-501 and 19-5-502, MCA)

1. The basic formula for a monthly service retirement in the JRS if you are <u>not</u> covered under the GABA will be: 3 1/3% per year of your **current salary** for the first 15 years of service credit plus 1.785% per year for each year of service credit after 15 years; or

2. The basic formula for a monthly service retirement in the JRS if you are covered under the GABA will be: 3 1/3% per year of your **Final Average Salary (FAS)** for the first 15 years of service credit plus 1.785% per year for each year of service credit after 15 years.

An explanation of the factors follows:

1. **Service credit** is the years of full time service you earned (see page 12).
2. **3 1/3%** and **1.785%** are factors that determine how much of your current salary or your FAS you get for each year of service credit.
3. **Current salary** is the compensation (average of the last 12 months) for the office you retired from; **FAS** is the average of your highest consecutive 36 months of compensation.

Involuntary Retirement Benefit

A member who is discontinued from service may receive an actuarially reduced retirement benefit if they meet the following criteria:

- ❑ Involuntarily discontinued from service after completing 5 years of membership service, but before reaching retirement age.

- ❑ Discontinued from service after completing at least 12 years of service and elected or appointed to office after July 1, 1983.

(§ 19-5-503, MCA)

3. Disability Retirement

A member suffering a disability, which is of permanent (or extended and uncertain) duration, is eligible for a disability retirement. The disability need not be work-related, but must occur during your active membership.

Disability Benefit

A member who becomes disabled may receive a disability retirement benefit based on the actuarial equivalent of the accrued service retirement benefit when the disability occurred.

If the disability is a direct result of any service for the Montana judiciary; i.e., a duty-related injury, the member will receive a disability retirement benefit equal to:

1. The greater of one-half the member's **final current salary,** or the contingent annuitant's benefit, if applicable, for a person not covered under the GABA; or

2. The greater of one-half the member's **FAS,** or the contingent annuitant's benefit, if applicable, for a person covered under the GABA. (§ 19-5-601, MCA)

(The GABA is explained on page 32.)

Disability Reviews

The Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to determine if the member still qualifies for disability retirement. (§ 19-5-612, MCA)

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases: (§ 19-5-612, MCA)

- ❑ The member is no longer totally disabled and can return to the employment formerly held by the member, or
- ❑ The retiree refuses to submit to a medical examination.

Contact us for complete details about disability benefits and how to apply.

Section III: Payment Options

When you retire, you must select a benefit payment option. Currently, the JRS offers four benefit payment options. Some options provide for another person to receive your benefit after your death. That person is your "contingent annuitant."

If you are married, your spouse must witness your choice of payment option and sign the retirement application.

This section provides information on each option, a table to help you calculate your benefit, and some sample calculations.

1. OPTION 1

Option 1 provides the largest monthly benefit amount you may choose. Option 1 is also the basis for all other options. The benefit is computed using the defined benefit formula (see page 19). Members who choose Option 1 will receive the benefit for life. When the member passes away, the designated beneficiary will receive any balance left in the member's account. That account balance is the amount available at retirement less the total benefits paid to the member. All monthly benefit payments end upon the retiree's death.

NOTE:
Once you choose an Option 1 retirement you may not make a change after cashing your first benefit payment.

2. Option 2

The benefit under Option 2 is less than under Option 1, but your contingent annuitant will receive the same benefit after your death. Option 2 is an annuity based on the lives of two people. Initially, the member receives the benefit for life, then the same benefit continues to the contingent annuitant for life. To compute your Option 2 benefit, multiply your Option 1 benefit by the Option 2 factor. The factor is based on the age difference between you and your contingent annuitant. See Table 2 on the next page for a list of Option 2 factors. The larger the age difference, the smaller the factor, and the smaller your benefit. For example, your benefit will be much smaller if the age difference is 20 years rather than 1 or 2 years.

3. Option 3

Option 3 is very similar to Option 2. It is also an annuity based on the lives of two people. Initially, the member receives the benefit for life, then **one-half of the benefit** continues to the contingent annuitant for life. Because the contingent annuitant receives half the member's benefit, the member's benefit is larger than the Option 2 benefit. Compute Option 3 the same as Option 2, using Option 3 factors. See Table 2 on the next page for a list of Option 3 factors.

NOTE:
Page 27 provides a brief explanation of the limited circumstances which will allow you to change the option. Contact us for more information.

PAYMENT OPTION 2 & 3 FACTORS

Multiply the Option 1 service retirement benefits times the applicable factor for Options 2 or 3.

	AGE DIFFERENCE IN YEARS	FACTORS OPTION 2	FACTORS OPTION 3
Member Older Than Contingent Annuitant	15	0.8109	0.8956
	14	0.8139	0.8974
	13	0.8170	0.8993
	12	0.8202	0.9012
	11	0.8236	0.9032
	10	0.8270	0.9053
	9	0.8304	0.9074
	8	0.8340	0.9095
	7	0.8376	0.9116
	6	0.8414	0.9138
	5	0.8451	0.9161
	4	0.8490	0.9183
	3	0.8529	0.9206
	2	0.8568	0.9229
	1	0.8608	0.9252
	0	0.8649	0.9275
Member Younger than Contingent Annuitant	1	0.8689	0.9299
	2	0.8730	0.9322
	3	0.8771	0.9345
	4	0.8811	0.9368
	5	0.8852	0.9391
	6	0.8892	0.9414
	7	0.8932	0.9436
	8	0.8972	0.9458
	9	0.9011	0.9480
	10	0.9049	0.9501
	11	0.9086	0.9521
	12	0.9123	0.9541
	13	0.9159	0.9561
	14	0.9194	0.9580
	15	0.9228	0.9599

4. Option 4

Option 4 can also provide a continuing benefit to one or more contingent annuitants. As with all options, the member will receive the monthly benefit for life. If the retiree dies before the end of the "certain" or guaranteed period, the contingent annuitant(s) will receive the benefit. **If more than one contingent annuitant is named, the monthly benefit will be divided and paid equally to them.** Payments to the contingent annuitant(s) will stop when the guaranteed period ends. This benefit has two sub-options.

- **10-year period certain.** You must be **age 75 or younger** when you retire to be eligible for this benefit. This option provides a monthly benefit equal to 97.40% of the Option 1 benefit. **You will receive this benefit for life.** If the member dies within the 10-year period, then the contingent annuitant(s) will receive the same benefit. However, benefit payments to contingent annuitant(s) will end when the 10-year period ends. The 10-year period begins on the member's effective date of retirement.

  Upon the death of any contingent annuitant, others may be designated without changing the monthly benefit. Contingent annuitant(s) receiving the Option 4 benefit may, in turn, designate their own contingent annuitants.

- **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. The monthly benefit will be equal to 91.48% of Option 1 benefit. Other than the length of time, the 10- and 20-year period certain options are the same. The 20-year period begins on the member's effective date of retirement.

NOTE:
A brief explanation of the limited circumstances which will allow you to change the option is explained on the next page. Contact us for more information.

5. Changes to Options

If you select Options 2, 3, or 4 you may have the right to change your contingent annuitant after retirement or choose a new option if one of the following conditions are met.

- The original contingent annuitant dies.
- The member and the contingent annuitant divorced and the court did not grant the contingent annuitant the right to receive part of the benefit.

The retired member must designate a new contingent annuitant or payment option in writing within 18 months of the death of or divorce from the contingent annuitant. Please contact us to get an estimate of the new benefit and an application form to select a new option.

The following applies **only** to members who retire **after** October 1, 1999: A retired member receiving an Option 2 or 3 retirement benefit who meets the above requirements may file a written application to have the Option 2 or 3 retirement benefit revert to the higher retirement benefit, Option 1, as was available at the time of the member's retirement. (§ 19-5-701, MCA and ARM 2.43.606)

6. Sample Calculations

Service Retirement

Judge Kenny Retire, Age..... 65
Service Credit ..... 20 years
Current Monthly Salary (12-month average).... $6,000 per month
Final Average Salary ..... $5,500 per month
Account Balance at Retirement.....$169,337
Contingent Annuitant's Age..... 63

Option 1 Formula:

Member **not** covered under the GABA:

3 1/3% x 15 years of service credit x $6,000 (current salary) plus 1.785% x 5 (years of service credit over 15) x $6,000 (current salary) = $3,533

Member **covered** under the GABA: (Formula is the same as above except the Final Average Salary is used.)

3 1/3% x 15 x $5,500 plus 1.785% x 5 x $5,500 = $3,238

Under payment Option 1, Judge Retire will receive a monthly benefit of $3,533 if not covered by the GABA or $3,328 if covered by the GABA each month for the remainder of his life. Upon his death, monthly benefit payments will cease. If the total benefits paid to Judge Retire are less than $169,337, the balance of his account will be paid in a lump-sum to his designated beneficiary.

Option 2 Formula: **Option 1 Amount x Option 2 Factor**

$3,533 x .8568 = $3,027, if not covered by the GABA; or
$3,328 x .8568 = $2,852, if covered by the GABA.

If Judge Retire elects Option 2, he will receive a monthly benefit of $3,027 per month if he is not covered by the GABA or $2,852 per month if he is covered by the GABA each month for the remainder of his life. Upon his death, the JRS will pay the same amount to his contingent annuitant for life.

Option 3 Formula: **Option 1 Amount x Option 3 Factor**
$3,533 x .9229 = $3,261, if not covered by the GABA, or
$3,238 x .9229 = $2,988, if covered by the GABA

Option 3 will provide Judge Retire a monthly benefit of $3,261 if he is not covered by the GABA or $2,988 per month if he is covered by the GABA. Upon Judge Retire's death, his contingent annuitant will receive, for life, ½ of his benefit payment per month.

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.9740
$3,533 x .9740 = $3,441 if not covered by the GABA; or
$3,238 x .9740 = $3,154 if covered by the GABA.

20-Year certain: Option 1 Amount x 0.9148
$3,533 x .9148 = $3,232 if not covered by the GABA; or
$3,238 x .9184 = $2,974 if covered by the GABA.

If Judge Retire chooses the 10-year certain payment option, he will receive $3,441 per month if not covered by the GABA, or a monthly benefit of $3,154 if covered by the GABA, for life. Should he die before the 10-year period ends, then his contingent annuitant(s) will receive the benefit. Payments will continue for the rest of the 10-year period. If he dies after the 10-year period ends, all payments end. His contingent annuitant(s) won't receive any payments.

If Judge Retire chooses the 20-year certain payment option, he will get a monthly benefit of $3,232 if not covered by the GABA, or $2,974 if covered by the GABA, per month, for life. Should he die before the end of the 20-year period, the contingent annuitant(s) will receive the benefit. Payments end when the 20-year period ends. In the event he dies after the 20-year period ends, his contingent annuitant(s) won't receive any payments.

The 10- and 20-year periods begin on the effective date of the member's retirement. Factors used for 10- or 20-year periods are always the same.

Section IV: Additional Information

1. Death Benefits

Upon your death, if you were receiving an Option 2, 3, or 4 benefit, your contingent annuitant will receive the benefit promised by those options. A named beneficiary will receive a death benefit under limited circumstances as explained on the next pages.

Beneficiaries

Members may designate any persons, charitable organization, or trusts (for the benefit of a living person) they wish as their beneficiaries. You must designate your beneficiaries on a JRS membership card and give the card to your payroll clerk. The clerk will send the card to us. Whenever you wish, you may name new beneficiaries by sending us a new membership card. If you are an inactive member, call us and we will send you a new card. Beneficiaries are either primary or contingent. Contingent beneficiaries will only receive something if no living primary beneficiary exists. (§ 19-2-801 and 19-2-802, MCA)

Keep your designated beneficiaries current. You may change your beneficiaries only by completing a new membership card.

NOTE: Advise your beneficiary to contact the PERA for complete details about benefits in the event of your death.

Death Benefit Claim

Upon receipt of notification of a member's death, we will send a death benefit claim to the designated beneficiary. To make a claim for a death benefit, the beneficiary must return the form to the

Board along with written proof of the member's death. A copy of the death certificate is the best document to send.

Death Prior to Retirement

At the death of a member before retirement, the designated beneficiary will receive a monthly survivorship benefit which is the actuarial equivalent of the involuntary retirement benefit. (§ 19-5-802, MCA)

If a member dies as a direct and proximate result of injury received in the course of a member's service or duty, a survivorship benefit will be paid to the member's designated beneficiary. The survivorship benefit is the greater of the contingent annuitant's benefit, if applicable, or the actuarial equivalent of a member's service retirement benefit standing to the member's credit on the date of death. (§ 19-5-801, MCA)

Account Balance - Retired Member

For members who did not retire under the GABA:
If you were receiving an Option 1 benefit, and you die before receiving benefits equal to your account (your contributions plus interest), your beneficiary will receive your remaining account balance. Your remaining account balance is your contributions plus interest to date of retirement minus any benefit payments you received. Your designated beneficiary may request the lump sum payment be received as an annuity.

For members covered under the GABA:
If you were receiving an Option 1 benefit, and you die before receiving benefits equal to your account (your contributions plus interest), your beneficiary will receive your remaining account balance. Your remaining account balance is your contributions plus interest to date of retirement minus any benefit payments you received. (§ 19-5-802, MCA)

2. Benefit Increases

Retirement Benefit Increases

Your retirement benefit increase will be based on the current salary of the position from which you retired if you did not elect to be covered under the Guaranteed Annual Benefit Adjustment (GABA). Judges and justices who were active members of the JRS prior to July 1, 1997 were provided the opportunity to file an election with the PERA to be covered under the GABA. Members who elected to be covered under the GABA and those who became active members on or after July 1, 1997, will receive retirement benefit increases under the GABA as explained below.

GABA

The GABA insures a **minimum** increase of 1½% over the previous year. Other events which increase your benefit will reduce the amount you get from the GABA. If the other increases are 1½% or more, then you will get no increase from GABA. (§19-5-901, MCA)

The GABA applies to:
- Service Retirement
- Involuntary Service Retirement
- Disability Retirement

It also applies to recipients, other than members, such as contingent annuitants and survivors.

Eligibility for GABA Benefits

The following are some conditions you must meet before you will get a raise under the GABA.

- You became an active member on or after July 1, 1997, or you filed an election with the PERA to receive the GABA prior to January 1, 1998; and

- You do not work in a job covered by any other retirement plan under Title 19, MCA; and
- You have received your benefit for at least 36 months. For example, if you retired on July 1, 1999, you will meet the 36-month requirement on July 1, 2002. You won't receive your first GABA raise until January 1, 2003.

Effective Date of GABA Benefits

We will apply the GABA increase to your benefit on January first of each year. The monthly increase will begin with your January benefit payment which we will mail to you on the last working day of January.

NOTE:
If you get your benefit by electronic transfer, the transfer takes place on the last working day of January. However, your bank may not add the transfer to your account until the next working day. With electronic transfer, you receive your money 1 or 2 days sooner than with a paper check through the mail.

3. Taxes on Benefits

Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit that was not taxed during your working career. You paid income tax on any money you contributed before July 1, 1985. Also, you have paid the tax on any additional contributions you paid to buy service before the year 2000. You have not paid taxes on the money you have contributed since July 1, 1985. Nor have you paid taxes on the interest your account earns. If some of your benefit comes from tax-deferred money, you must pay taxes on that part.

Tax Statements

Each year we will send you a Distribution Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the JRS, not just members. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Taxes on Refunds

The tax-deferred portion of a retirement lump-sum refund is subject to state and federal taxes. If you receive the refund, the IRS may assess an additional 10% penalty for early withdrawal. We will also withhold 20% for tax purposes if we send the refund directly to you. Taxable amounts for state and federal taxes may be different. You may avoid paying the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. Rolling over your refund

also allows you to avoid the penalty. If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan. Be prepared to provide the IRS documentation of this investment or roll-over to avoid paying the 10% penalty.

If you receive the payment, we must withhold federal taxes and the IRS will charge for an early withdrawal. Roll the money over and no money will be withheld for taxes.

Remember, when you receive the refund directly, we must withhold 20% for taxes. The amount withheld may or may not be enough to pay any tax or penalty you may owe. If the IRS assesses a penalty, you must pay it when you file your income taxes. You must provide documents to the IRS of your reinvestment or "roll-over" of your refund, as described above, to avoid payment of the penalty.

You will receive a Distribution Form (Federal Form 1099R). It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099R, you can request a duplicate from us.

4. Assignment of Benefits

In very limited cases, including a Family Law Order (FLO), the court may assign your JRS benefits to another person. A FLO must be a judgment, decree or order of a Montana court. It may give all or part of your payment rights to someone else. Courts from other states may also assign your benefit with a Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA, a federal law governing private pension benefits. Also, a Qualified Domestic Relations Order may not assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

Family Law Order (FLO)

A FLO may require the PERA to pay all or part of your benefit or refund to another person. That person is an alternate payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay $500 per month until you pay a set sum of $12,000. Or, the FLO may require you to pay 50% of your monthly benefit for as long as you get a benefit. The FLO may also require you to choose a specific option, contingent annuitant, or beneficiary.

A FLO may not require the PERA to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the PERA to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the PERA may pay you. (§ 19-2-907 and 19-2-909 MCA)

5. For More Information

If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you get from any other source may be wrong. The PERA is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event of your death. When you write to the PERA, please include your full name, printed and signed, your Social Security Number, and your return address and daytime telephone number. Address your correspondence to:

MONTANA PERA
1712 9th Avenue
PO Box 200131
Helena MT 59620-0131

Or, send your questions or comments to our e-mail address:
perb@state.mt.us

For updated information on the PERA and to view publications on-line, visit our web site at:
http:www.state.mt.us/doa/perb/perb.htm

We invite you to call or visit the PERA in Helena. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. You don't need an appointment for general questions; however, to discuss benefit estimates or cost statements, you should make an appointment at least 7 days in advance. Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may have to leave a voice mail message. Be sure to leave your name, telephone number, and Social Security Number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response.**

GLOSSARY OF TERMS

ACTIVE MEMBER - a member in a JRS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACTUARIAL COST - the amount determined by the Board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract.

BENEFIT - a service or disability retirement or survivorship provided by the JRS.

CONTINGENT ANNUITANT - a person the retired member names to receive a continuing benefit after the member's death.

CREDITED SERVICE or SERVICE CREDIT - the periods in which you contribute the required money to the JRS. The PERA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.

CURRENT SALARY - the current compensation for the office retired from.

DESIGNATED BENEFICIARY - the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

FINAL AVERAGE SALARY (FAS) - a member's highest average monthly pay during any 36 consecutive months of membership service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. Your FAS may include termination payments, but only if they replace regular pay on a month for month basis.

FISCAL YEAR - the 12-month period starting July 1 and ending the following June 30.

GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA) - a 1.5% benefit increase, if and when a member is eligible.

INACTIVE MEMBER - a member who ends JRS-covered employment and does not withdraw his or her JRS account.

INVOLUNTARY RETIREMENT - a retirement not for cause and before retirement age.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with the JRS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month credit for any month you contribute to the JRS. Even if you only work one day during that month. If you contribute anything, you get credit for the whole month.

PART-TIME EMPLOYMENT - any month during which the employer pays the member for less than 160 hours.

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from the JRS.

REFUND - a withdrawal of all the money in a member's JRS account. By taking a refund, the member gives up all rights to any other benefits from the JRS.

REGULAR CONTRIBUTIONS - the payments an active member must make to the JRS. The payments are a percentage of the member's monthly pay and are tax-deferred.

REGULAR INTEREST - the payments made to a member's account at rates set by the Board. This interest is tax-deferred. Also, the amount charged to buy service on a monthly payment plan. These rates may not be the same.

RETIRED JUDGE - Any judge or justice who is receiving a retirement benefit in accordance with Title 19, Chapter 5, Montana Code Annotated.

RETIREMENT BENEFIT - the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SERVICE - employment of an employee in a position covered by a retirement system.

SURVIVORSHIP BENEFIT - monthly payments for life to the beneficiary of a vested member who died while an active member.

VESTED MEMBER or VESTED - the status of a member with at least 5 years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

Alternate Accessible Format

The PERA will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

Write to:

Attn: Lucie Willson
Montana PERA
PO Box 200131
Helena, MT 59620-0131

You May Contact the Montana PERA at:

Telephone: 406-444-3154
Toll Free: 877-275-7372
Fax: 406-444-5428
E-mail: perb@state.mt.us

For more information, contact:

Department of Administration
Personnel Service Section
Phone: 406-444-3871
TDD no. 406-444-1421.

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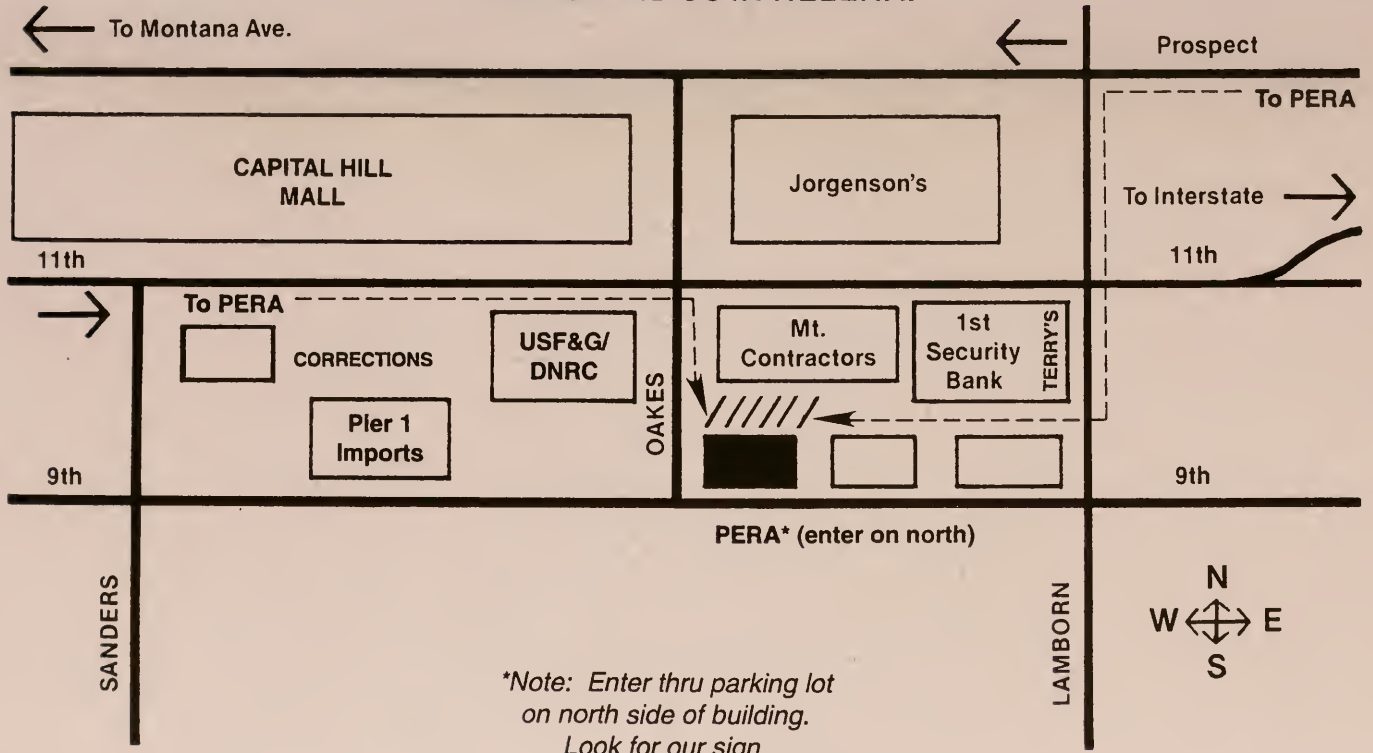

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